



MASSACHUSETTS CONVENTION CENTER AUTHORITY

[Letter to Governor Weld Regarding Convention and
Assembly Complex]

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October 22, 1993

His Excellency William F. Weld
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, Massachusetts 02133

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Dear Governor Weld:

On behalf of the Massachusetts Convention Center Authority, we are writing to urge that you support legislation authorizing the construction of a convention and assembly complex in the Commonwealth.

The Authority believes that the Commonwealth would be best served by a facility offering 650,000 square feet of exhibition space for conventions and trade shows. The Authority supports the configuration, recommended by Governor Weld, in which 450,000 square feet of this space would be dedicated exhibition space; the remaining 200,000 square feet of exhibition space would feature a fixed seating capacity for approximately 70,000 and could be used for both convention/trade shows and large spectator events. This configuration has been referred to as the "megaplex".

The Members of the Authority have voted this recommendation unanimously for the following reasons:

- We have concluded that this facility is cost-effective and that the operation of this facility will generate \$1.2 billion in annual economic output, spurred by the attraction of more than a half-million visitors to conventions and trade shows. According to econometric projections, this spending will create 21,000 permanent new jobs statewide. No other public project promises such a large and direct boost to the Commonwealth's economy.
- The availability of this facility for multiple uses will add to Boston's status as a world-class city and Massachusetts' status as a world-class state, offering residents and visitors world-class amenities;

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- The attractiveness of this facility for international congresses, trade shows, and spectator events will enhance the Commonwealth's competitive position on the Atlantic Rim; and
- The design and construction of this facility should be accommodated in a manner which will stimulate urban development in its vicinity and attendant economic benefits to a wider area.

The Authority's recommendations are based on an intensive two-phase study conducted for us by Price Waterhouse. The final report of that study is enclosed herewith for your review.


The Need for Additional Convention Space

Price Waterhouse summarized its conclusions as follows:

Boston has far too little convention/exhibit space to meet the present and projected market demand. A major, well-located expansion is virtually assured of attracting large numbers of out-of-town delegates. Boston loses significant convention business because its primary facility, the Hynes Convention Center, is now too small to meet today's demand. And that demand is growing. Failure to undertake a major expansion of convention space in Boston would result in large and growing losses to the Commonwealth resulting from lost convention business.

Among the more important findings by Price Waterhouse are the following:

- Occupancy for the Hynes has reached the practical maximum capacity.
- The Hynes has a positive impact on the Commonwealth's economy and the State treasury. Spending by out-of-town attendees at Hynes conventions accounts for 13,000 jobs in Massachusetts. The State's revenue from sales, hotel, restaurant, and income taxes is \$4.6 million more annually than the State's expenses for debt service and operations of the Hynes.
- Based on key site selection criteria, Boston ranks fifth among its primary competitors and eighth among 24 major markets in North America. In terms of exhibition space available at the Hynes (193,000 square feet), Boston ranks last among its primary competitors and 22nd among the major markets.
- Although the Hynes offers only 1.8% of the total supply of exhibit space in the major markets, it has been substantially "over-achieving" -- capturing 5.2% of the occupancy for national conventions and trade shows requiring 60-200,000 square feet of exhibit space. This success is attributable both to the attractiveness of Boston as a convention destination and to the Authority's reputation, in the industry, for providing superior service.



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- Based on conservative projections of demand for convention/trade show space in major market centers, and taking account of efforts by Boston's primary competitors to increase their supply, "Boston will capture more than its 'fair share' of the business if it has facilities to accommodate the demand."
- Additional space would attract larger conventions and trade shows which must now bypass Massachusetts; conventions and trade shows which cannot be accommodated when the Hynes is booked; conventions which have outgrown the Hynes; and shows which require on a single level more exhibit space than the Hynes, with its bi-level configuration, can offer.

The aim of the Price Waterhouse study was to produce a balanced and reliable basis for estimating the marketability of exhibition space either adjacent to or remote from the Hynes Convention Center and to evaluate the cost-effectiveness of development options. The study emphasized convention and trade shows, since the spending generated by out-of-state delegates will determine -- through increased sales, hotel, restaurant and income tax revenues -- the return to the State and ultimately the financial feasibility of any option.

The Authority's Price Waterhouse study is the most thorough review that has been done of the cost-effectiveness of expanding the Commonwealth's major convention facility. Price Waterhouse compared the Hynes and Boston with competitive facilities and destinations, surveyed past and future trade show producers and association executives, estimated the Hynes' current market share as well as future market shares for seven development options (including a no-build alternative), estimated the operating and capital costs of each option, and estimated the economic and fiscal impacts generated by delegate attendance (based, in part, on a special survey of actual delegate spending by groups utilizing the Hynes during the study period). We believe that this study merits a high degree of confidence.

The Development Options

In Phase I of its study, Price Waterhouse analyzed five convention-only development options. The Phase I study concluded that a facility with 650,000 square feet of exhibition space (Option D) would be the most cost-effective, bringing in more than a half-million visitors annually, generating about \$1.2 billion in total economic output each year, creating 20,800 new jobs, and returning to the State treasury annually \$10 million in profit over the annual debt service and operating costs of the new facility. The City of Boston would earn, from the new visitors, an additional \$7 million from the local hotel tax.

In Phase II (commissioned by the Authority after the Governor filed legislation), Price Waterhouse examined two additional options:

- A multi-purpose center with 650,000 square feet of exhibit space (of which 450,000 square feet is dedicated exhibit space and 200,000 square feet

features fixed seating for approximately 70,000 spectators). This is the "megaplex" option which the Authority endorses. (Option E)

- A multi-purpose center with 850,000 square feet of exhibit space, of which 650,000 square feet is **dedicated** exhibit space and 200,000 square feet features the 70,000-seat spectator capacity. (Option F)

The Authority's Conclusions

After careful consideration, including a review of the Price Waterhouse data and consultation with our Needs Assessment Advisory Committee, which represents diverse interests and points of view, the Members of the Massachusetts Convention Center Authority have unanimously concluded that the Option E multi-use facility offers the most versatile and dynamic alternative for the South Bay site, which can accommodate approximately 200,000 net square feet for expansion.

The "megaplex" would generate in excess of \$1.2 billion in total economic output annually, creating upwards of 21,000 new jobs. Assuming favorable revenue conditions in a lease with a professional football franchise, Price Waterhouse has projected a net annual cost (including both operating costs and debt service) to the Commonwealth of only \$1.7 million in excess of increased tax revenues. Boston would earn \$6.5 million from the local hotel tax.,

The case for building a large new convention facility is urgent and compelling. The support for doing so is bipartisan, well-reasoned, and widespread.

The Price Waterhouse study demonstrates that the inclusion of the fixed-seating component is reasonable and feasible. It makes sense for the Commonwealth to offer its citizens, and those who invest in its businesses, a world-class venue for assemblies, congresses, athletics, and entertainment events commensurate with the State's attractiveness as both a tourist destination and a place to live.

The Authority's recommendation is not premised on the facility's accommodation of a professional sport franchise. Indeed, the Authority recommends that the legislation not assume any such arrangement, much less mandate the timing or outcome of any lease agreement with a franchise. To do so may allow the design or construction of the facility to be held hostage to lease negotiations. The purpose of the proposed facility, in the Authority's view, is to accommodate conventions, trade shows, large assemblies, and spectator events -- and, only incidentally, if a favorable lease is negotiated, a professional sports team. The Price Waterhouse analysis makes clear that if a favorable lease cannot be negotiated, the facility would suffer no economic loss by booking conventions.

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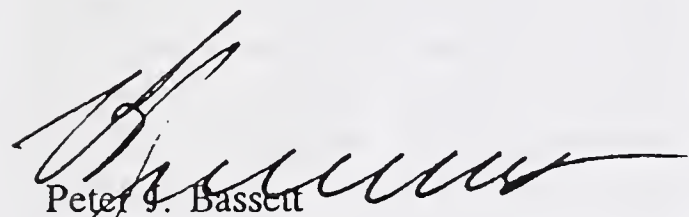


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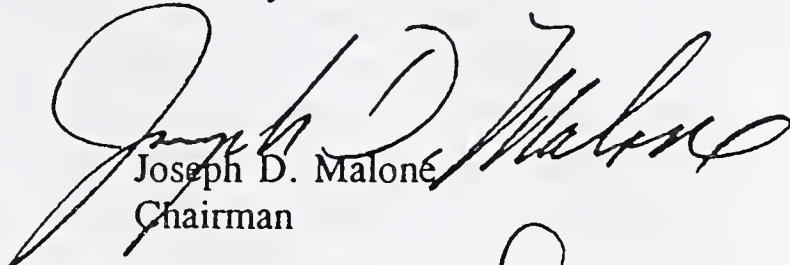
The Authority believes it is significant that its Members have voted unanimously to endorse the views expressed in this letter. The Authority urges you to vote, this session, to move this important project forward.

A copy of the Authority's vote is enclosed herewith.

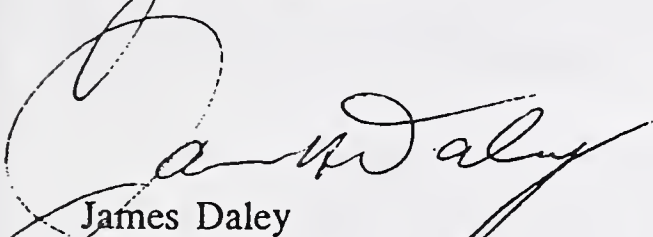
Sincerely,



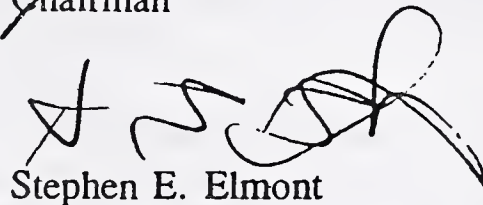
Peter G. Bassett



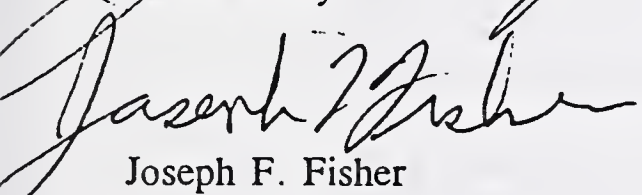
Joseph D. Malone
Chairman



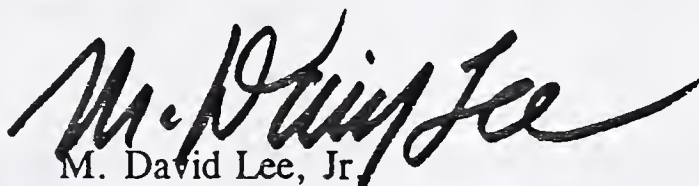
James Daley



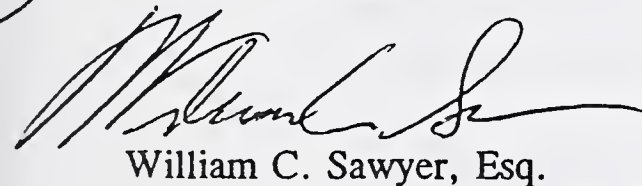
Stephen E. Elmont



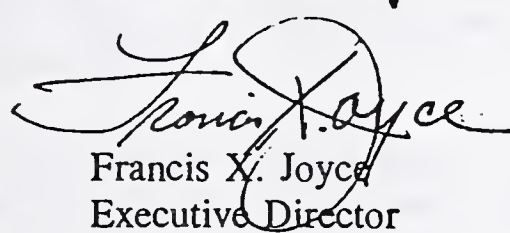
Joseph F. Fisher



M. David Lee, Jr.



William C. Sawyer, Esq.



Francis X. Joyce
Executive Director

October 22, 1993

Board Vote

VOTE -- The Massachusetts Convention Center Authority hereby recommends the enactment of legislation authorizing the Authority to design, construct, finance and operate a multi-purpose convention and assembly facility offering approximately 650,000 square feet of exhibition space for conventions and trade shows, of which approximately 450,000 square feet would constitute dedicated exhibition space and 200,000 square feet would include a fixed seating capacity for approximately 70,000 and would therefore be usable for both convention/trade shows and large spectator events, together with ancillary support space, site development and infrastructure to prepare for the expansion of the facility to meet the expected growth in market demand, for the following reasons:

- we have concluded that this facility is cost-effective and that the operation of this facility will contribute enormously to the economy of the Commonwealth and will, according to econometric projections, spur the creation of 21,000 permanent new jobs statewide;
- the availability of this facility for multiple uses will add to Boston's status as a world-class city and Massachusetts' status as a world-class state, offering residents and visitors world-class amenities;
- the attractiveness of this facility for international congresses, trade shows, and spectator events will enhance the Commonwealth's competitive status on the Atlantic Rim; and
- the design and construction of this facility should be accommodated in a manner which will stimulate urban development in its vicinity and provide attendant economic benefits to a wider area.

